

Performance Management in Social Firms: Definition, Motivations and Some Potential Tools

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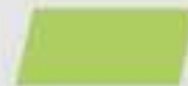


Content

- Based on the literature on *(Strategic) Performance Management* and recent evolutions related to “relatively” new concepts such as *Sustainability (Performance Management)* (Schaltegger & Wagner, 2006) or *Shared Value* (Porter, 2011) :
 1. **What** is performance management ?
 - a. Definitions
 - b. Performance management and social firms
 2. **Why** to manage and measure performance in social firms?
 3. **How** to manage and measure performance in social firms?
A famous tool : The Balanced ScoreCard



1. What is performance management?



1a. Performance

- No-generally accepted definition in the literature: various definitions ...
- Traditionally, performance was/is associated to financial results (EBIT, profitability, solvency, liquidity, etc.)

→ *social firms feel less concerned about (financial) performance...*

- BUT a broader definition is more and more used:

Performance is about the “***achievement of the organizational goals, whatever their nature and their variety***” (Bourguignon, 1995,2000)

→ *social firms should also manage and measure their performance...*

“Do they reach their (social) goals?”

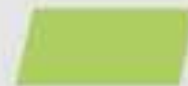
“Why (not)?”

“Which goals are not achieved?”

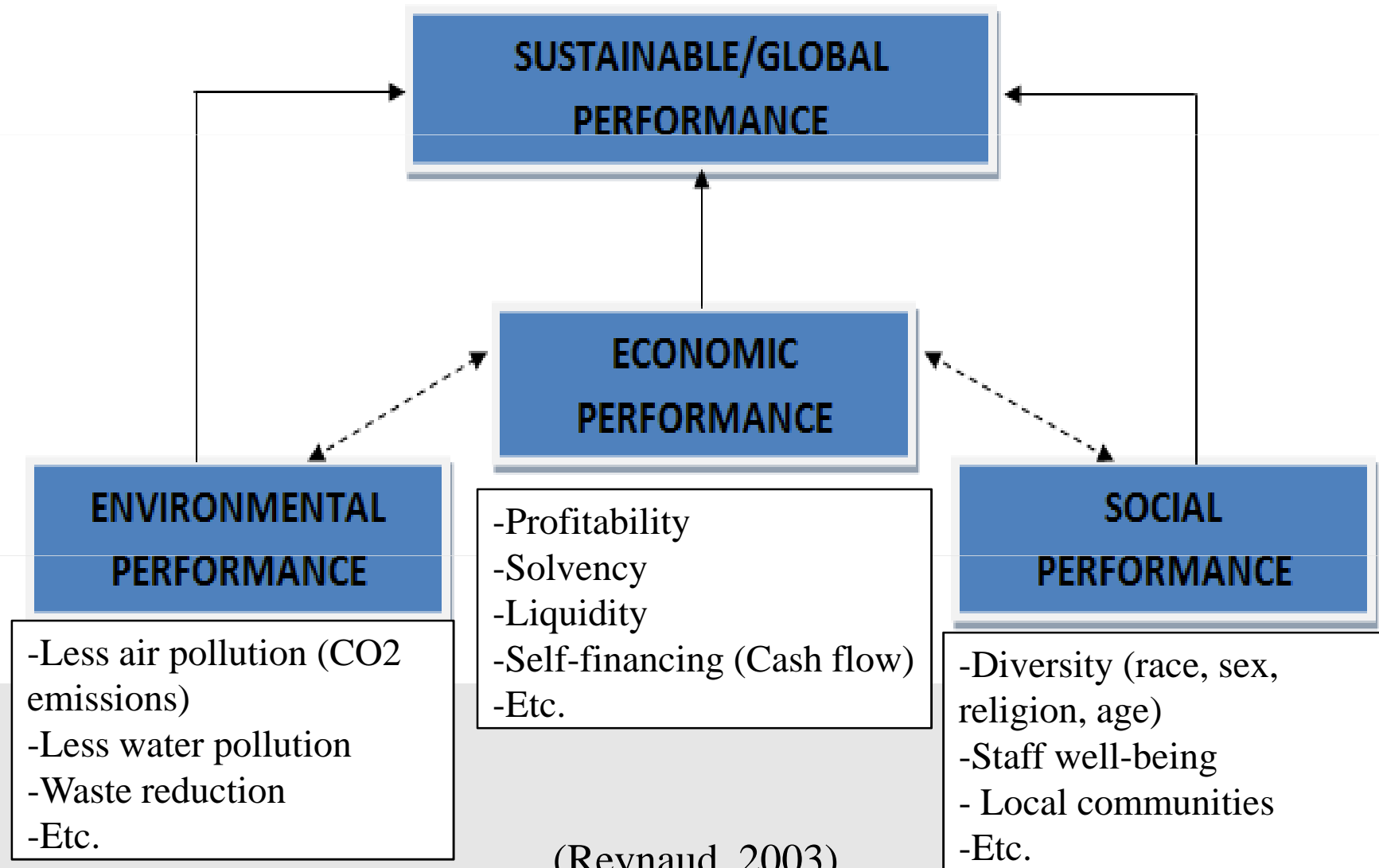


1a. Performance

- In addition,
- In parallel to the increasing popularity of concepts such as sustainable development or CSR due to:
 - *Increasing awareness/interest for environmental and social worldwide challenges*
 - *Medias, IT*
 - *Financial and economic crisis*
- Progressive evolution (Cramer, 2002; Reynaud, 2003) :
 - From a traditional vision of business performance (Economic/financial vision in the short-term)
 - To more global vision, which includes environmental and social dimensions → GLOBAL or SUSTAINABILITY PERFORMANCE



1a. Global Performance



(Reynaud, 2003)



1b. Performance Management

- Definition:

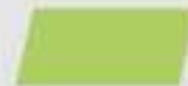
Set of tools, systems and procedures in order to pilot, measure and evaluate the (social, environmental, social or sustainability) performance of an organization (Merchant and Van der Velde, 2007)

→ **TO PILOT** = to help to translate the strategy into clear objectives for each department, each worker in order to facilitate the achievement of these strategic objectives and feedback (via adequate tools)

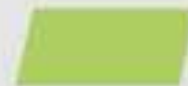
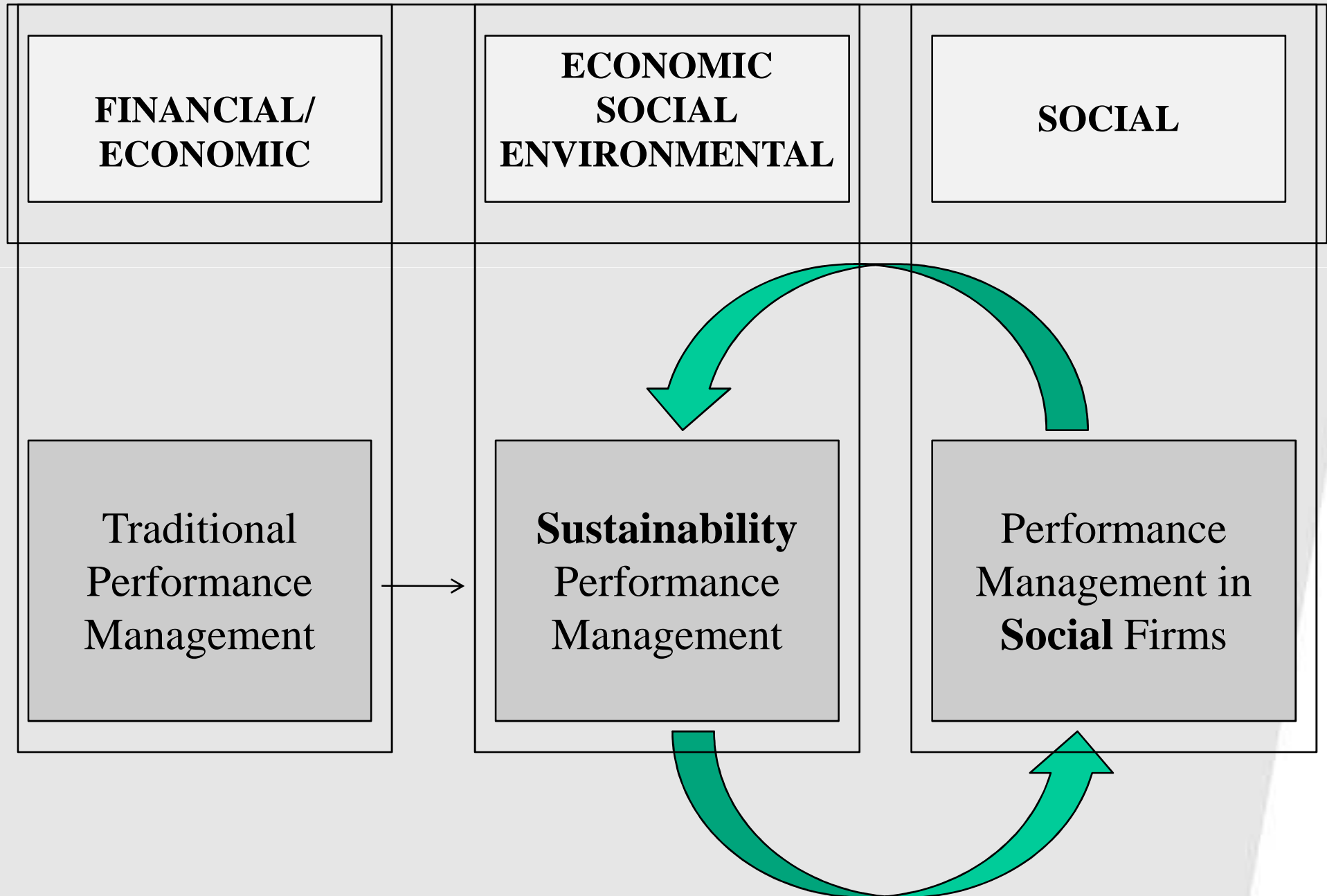
→ **TO MEASURE/EVALUATE** = to check if the predetermined objectives have been reached and to draw the adequate conclusions (feedback) for the future : Why (not)? How to improve the performance? Etc.

1b. Performance Management

- As for the concept of performance, we note a progressive evolution :
 - From **Traditional Economic Performance Management/Measurement**: Economic or financial (often quantitative) measures/indicators such as EBIT, profitability, solvency, liquidity or productivity
 - To **CSR, Societal, or even Sustainability (or Global), Performance Management/Measurement** : Addition of environmental/social (qualitative) measures/indicators such as gas emissions, recycling or staff well-being
- ➔ Adaptation of existing tools or appearance of new ones...



FOCUS / ORIENTATION

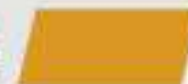


2. Why do social firms need to manage and measure their performance?



Why?

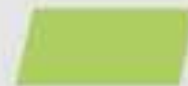
- Some (famous) reasons:
 - **To check if the predetermined objectives have been achieved or not:** Are we performing well? Is our work useful? Which (social) objectives have effectively been reached or not? Why?
 - Clearer and more objective view/feedback of the firm and of its real contribution to the Society
 - Ability to work harder on unachieved objectives (Why not? Which strategies could we implement to reach them?)
 - Better internal decision making
 - **Legitimate the activities/efforts** externally and internally
 - The use of adequate performance management tools may lead to an **easier and quicker achievement of some objectives** (thanks to a better communication, a clear translation of the strategy to various departments, a more regular follow-up of the results, etc.)



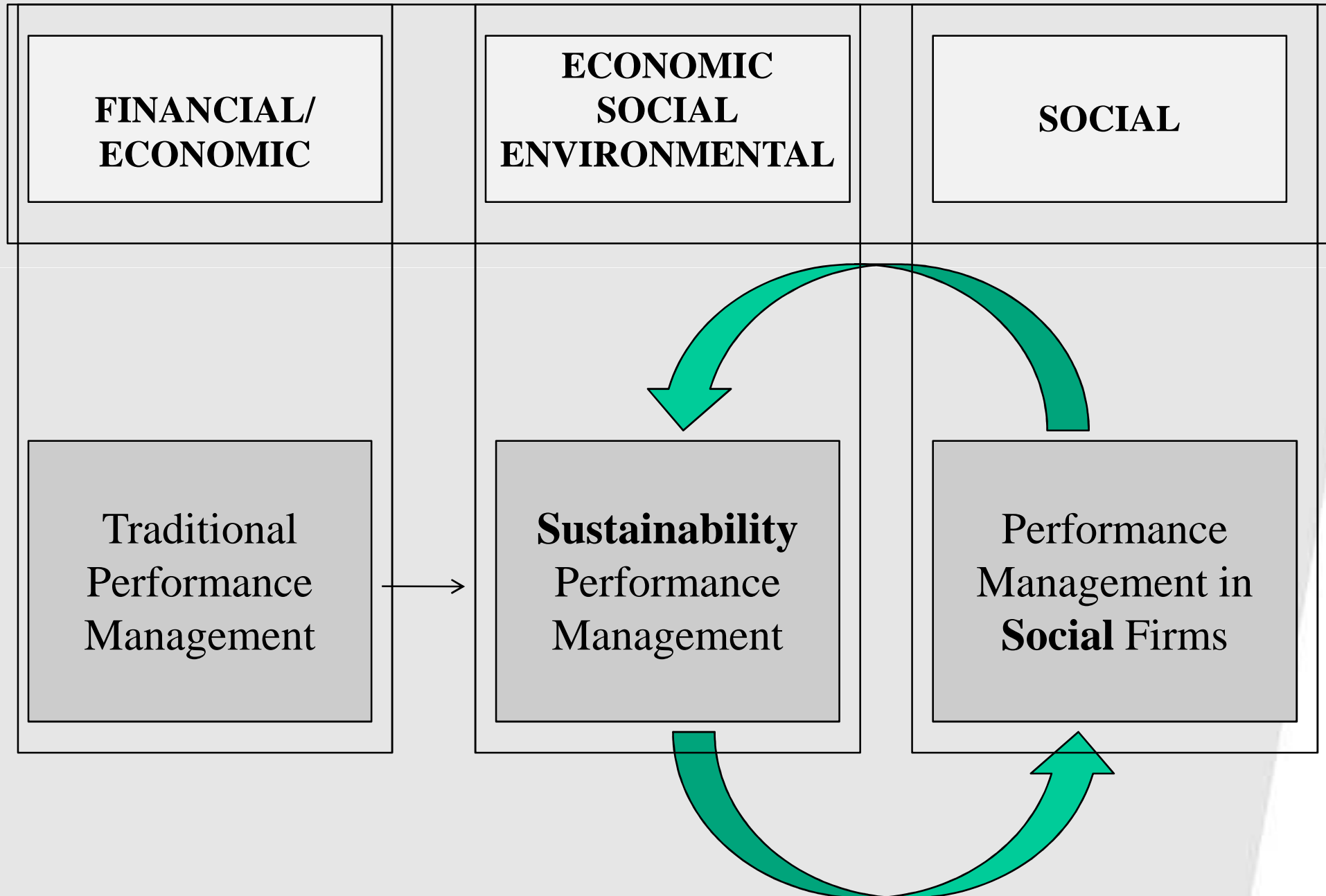
3. How to manage and measure performance in social firms?

3. Performance Management Tools

- Lots of “traditional” tools: management accounting, budgets, scorecards, etc. (Merchant and Van der Stede, 2007)
- *BUT which tools are adequate for social firms?*
→ Open issue (?) in the literature and on the ground...
- *Nevertheless*, progressive adaptation of the traditional tools to sustainability performance management
- Of course, social firms ARE DIFFERENT from for-profit firms engaging in sustainability (mission, vision, organization, etc.) !!
- BUT, as these tools generally include social (+ environmental and financial dimensions, also important in social firms), they could enrich the literature and practices regarding performance management in social firms (which indicators? How to pilot the performance? Etc.) AND INVERSELY...



FOCUS / ORIENTATION



3. Performance Management Tools

- **Pure Measurement Tools**

Sets of indicators (not necessarily related to the strategy) to measure the social, environmental or financial performance

Examples of indicators : GRI, Triple Bottom Line Reporting

Remark: Difficult to find and construct social indicators (difficult to quantify, to materialize, to measure, to control objectively, etc.)

- **Accounting Tools**

- Green, social or sustainability accounting
- Green, social or sustainability budgets
- Green, social or sustainability management accounting

- **Strategic Performance Management Tools**

Complete tools which link strategy, actions and performance management

Most famous one = the Balanced ScoreCard ! : appropriate and easy-to-understand



3a. The Balanced ScoreCard

Definition (Kaplan and Norton, 1992):

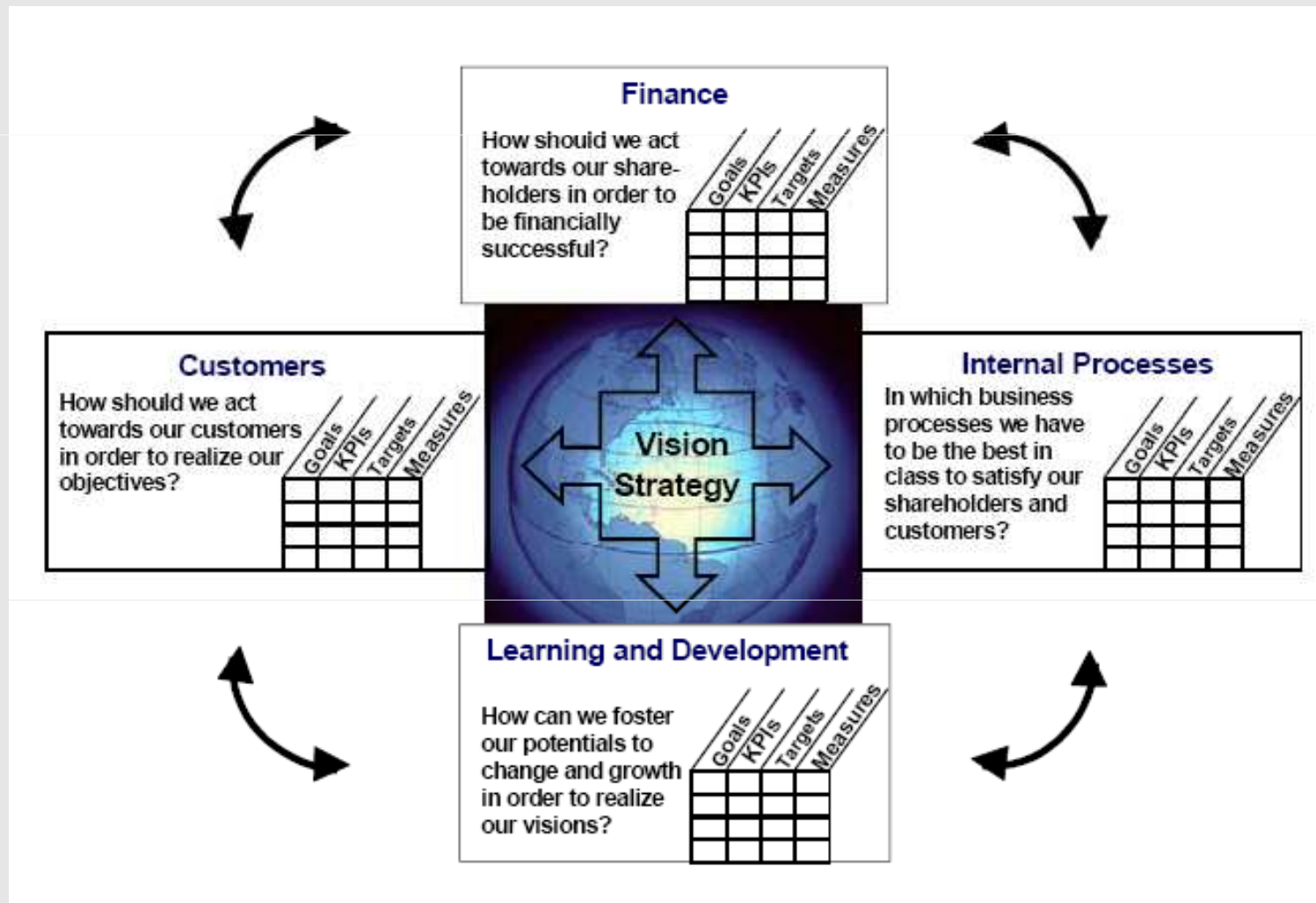
- **Multidimensional** strategic (performance) management tool that is used extensively in business and industry, government, and nonprofit organizations worldwide
- To align business activities to the **mission, vision** and **strategy** of the organization
- To improve internal and external communications
- To monitor organization performance against strategic goals – *Are the strategic goals reached?*



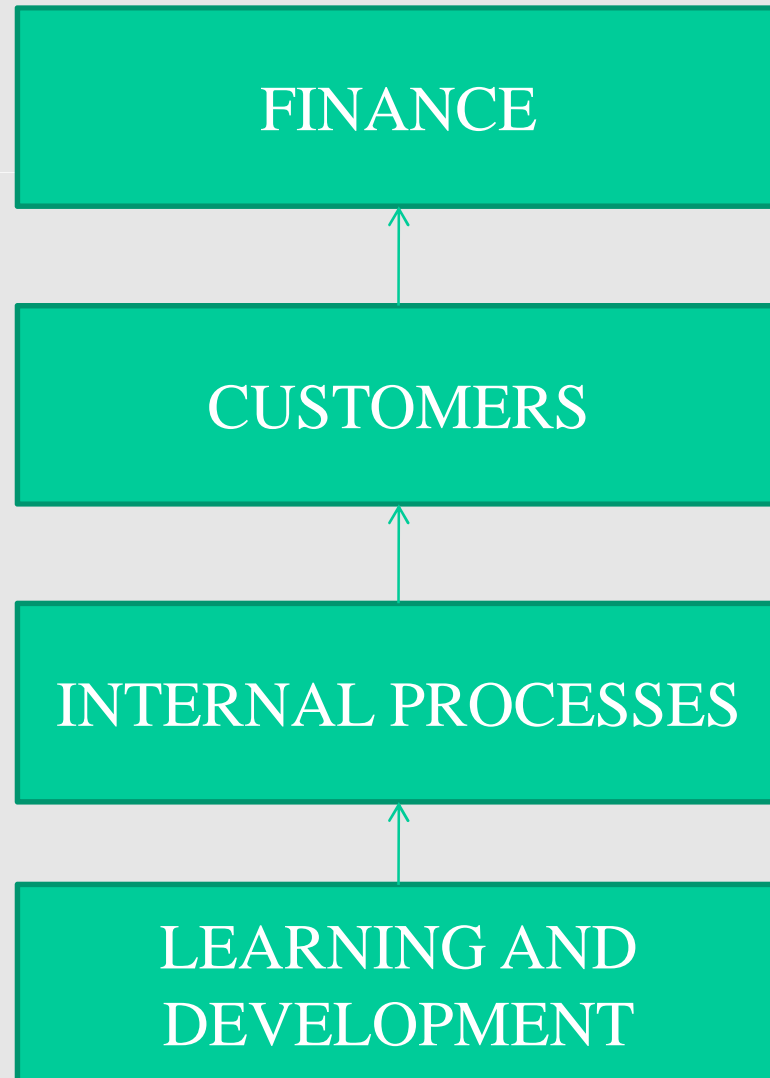
3a. The Balanced ScoreCard

- Translation of business strategy into clear objectives and clear related performance indicators
- Balance between
 - LT – ST
 - Internal – External
 - Quantitative – Qualitative / Monetary – Non-monetary indicators
 - Strategic – Operational information
- Combination of financial and non-financial indicators organized into 4 dimensions
 - Learning and Development (LT)
 - Finance (ST)
 - Customers (External)
 - Internal Processes (Internal)

3a. The Balanced ScoreCard

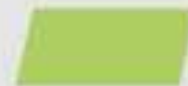


3a. The Balanced ScoreCard



3a. The Balanced ScoreCard

- An appropriate tool for sustainability performance management and performance management in social firms (Kaplan et Norton, 2001; Bieker, 2002; Figge et al., 2002)
 - Strong link between **mission/strategy** and performance management
 - Open, adaptable tool (**Customization** of each BSC)
 - Underlying logic consistent with the logic of Sustainability and of Social Firms
 - Financial but also **non-financial (more qualitative) indicators**
 - Link between ST (financial performance) and LT (**Sustainable Development and Society**)
- Some researchers dedicated their work to the study, analysis and development of Sustainability BSC

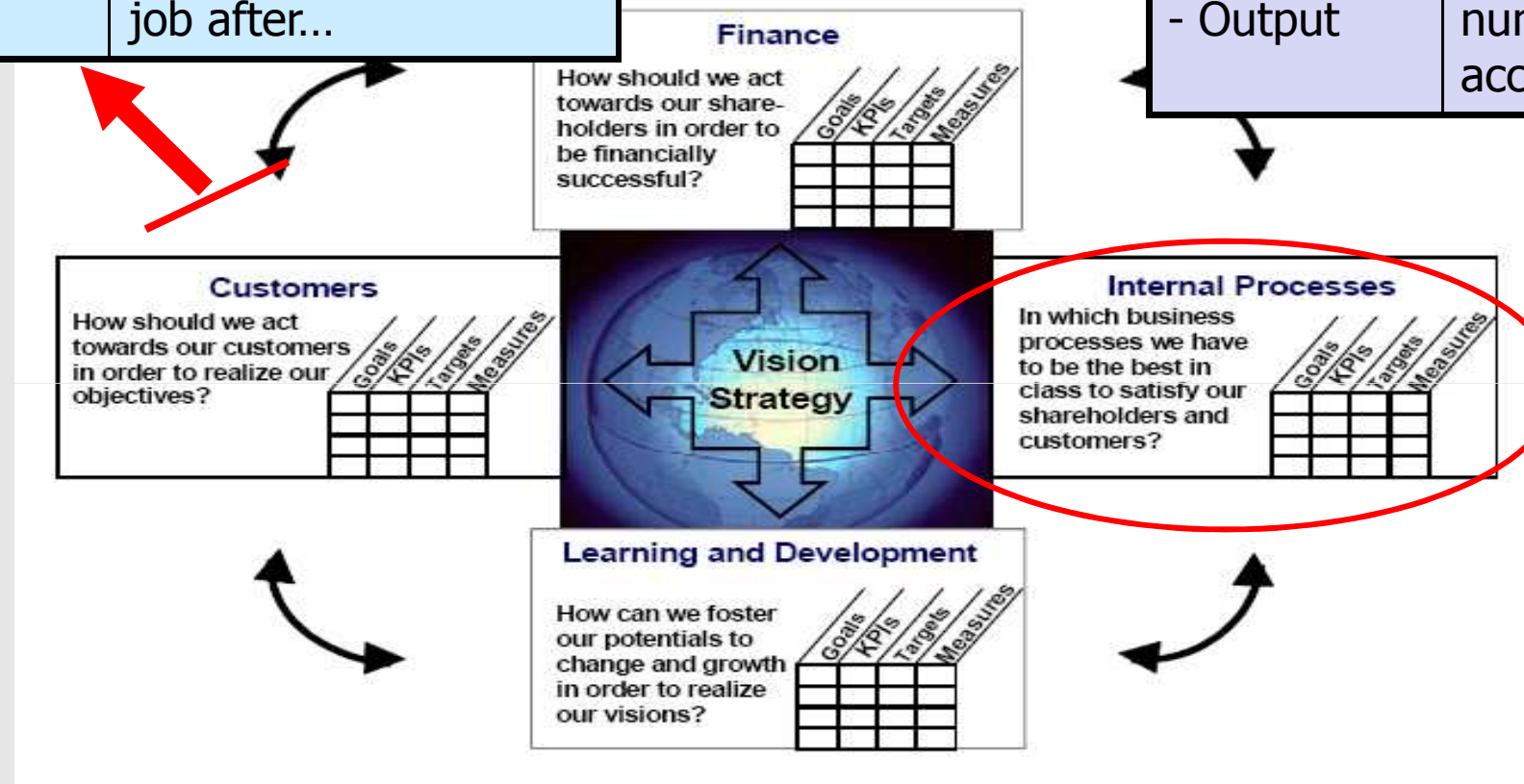


GOAL	Insertion of long-term unemployed people
INDICATOR - Mean	To engaged XX long-term unemployed people each year
- Output	To measure the percentage of them who find a « durable » job after...

ability Balanced ScoreCard

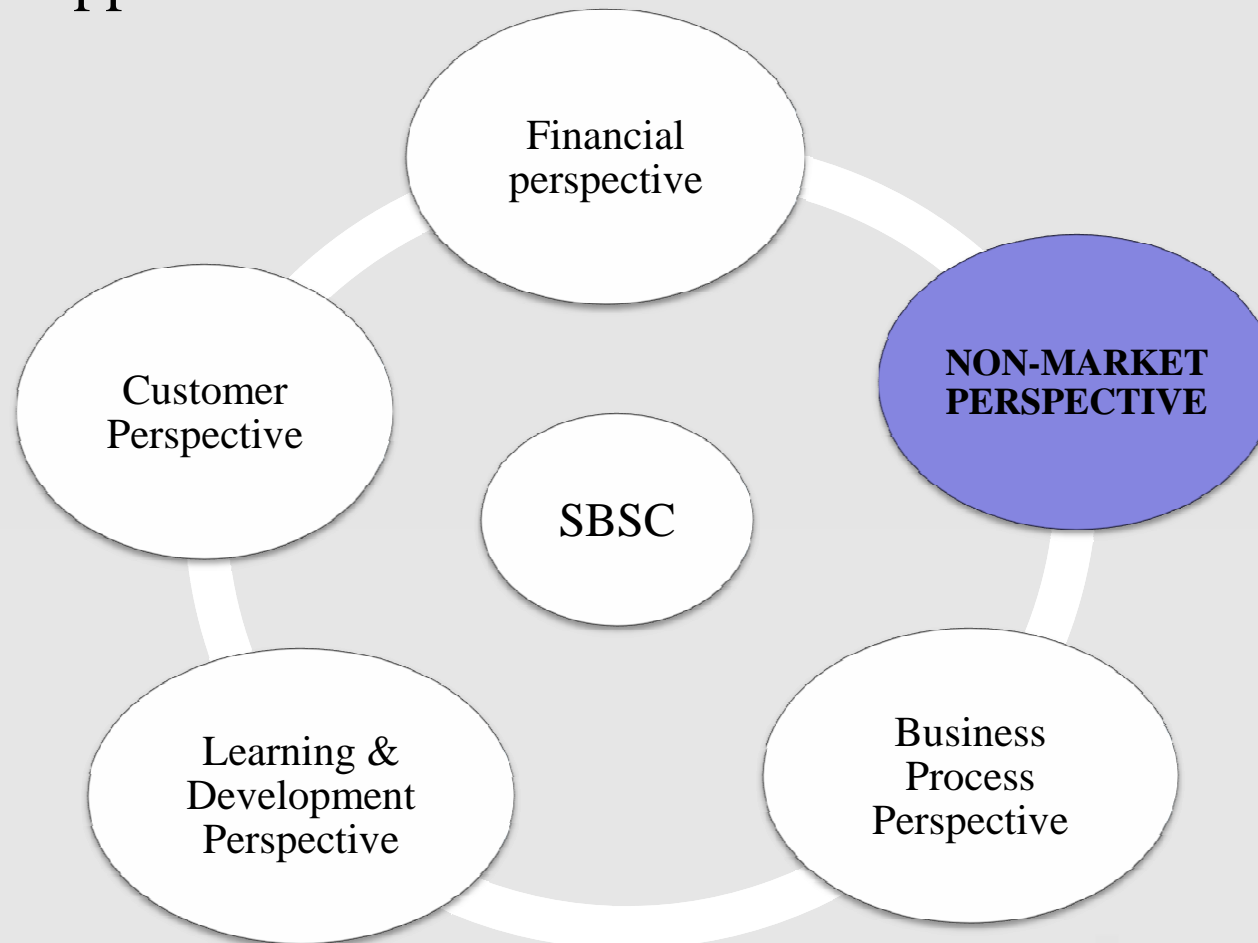
s (2001), Kaplan and
traditinal axes becau
be integrated within t

GOAL	Improve security
INDICATOR - Mean	More regular control of the material
- Output	Decrease in the number of accidents



3b. The Sustainability Balanced ScoreCard

- Proposition 2: Bieker (2002), Schaltegger and Wagner (2006) propose to add a fifth dimension, to give the same importance to all dimensions and to suppress the dominance of the financial dimension

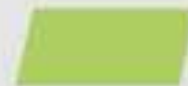


3c. BSC and social firms

- Useful tools to translate social mission and strategic goals into action/measures
- It includes non-financial and qualitative measures (! in social firms)
- Some interesting propositions have been made in the literature on sustainability performance management to adapt it to other imperatives such as environment or society

Remarks:

- Further adaptation are needed !! Example: important to modify the priorities of the axes (not to be oriented towards « finance »)
- Financial dimension should not be suppressed! Important to limit external dependance to financial means and to ensure the financial « viability » of social firms



Challenges and future research

- **Challenges**

- Development of “meaningful” and “easy-to-use” social indicators !!
- Lots of small organizations in the Social Economy → Difficult to implement such a tool → !! To simplify and to develop more elementary tools based on the logic presented...

- **Future research ideas**

- In-depth research on performance management tools for social firms → Are the existing tools adequate (after adaptations – which other adaptation are needed?) or do we have to create new ones?
- Intensive research on social indicators adapted to the “third” sector



Thank you for your attention

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